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**Contact: 98 - 75
Jay Ziegler
Helaine Klasky
(202) 395-3230**

**USTR ANNOUNCES DEVELOPMENTS UNDER
SPECIAL 301 ACTION IN PARAGUAY**

United States Trade Representative Charlene Barshefsky today announced that the Special 301 investigation of Paraguay would be extended for three months to allow for negotiations with the administration of President-elect Raul Cubas Grau. On January 16, USTR identified Paraguay as a "priority foreign country" under the Special 301 provisions of the Trade Act because of growing losses suffered by U.S. industry as a result of inadequate intellectual property protection and enforcement in Paraguay.

Ambassador Charlene Barshefsky stated in announcing her decision, "We are pleased to see Paraguay has made progress on some issues, such as the passage of an improved trademark law, since the initiation of this investigation. However, we are disappointed that proposed copyright legislation further weakens legal protection and that there continues to be a lack of significant, well-publicized enforcement actions against pirates and counterfeiters. Despite the best efforts of certain Paraguayan Government officials, insufficient progress has been made in the last six months toward addressing the rampant piracy and counterfeiting that remain the norm in Paraguay."

On August 15, President-elect Cubas Grau will assume office in Paraguay. "We look to the incoming administration to make significant progress on IPR enforcement and to address the fundamental legal and institutional deficiencies evident in Paraguay," stated Ambassador Barshefsky. She continued, "I strongly urge the new administration to use this short extension of the 301 investigation period to take swift enforcement actions to reduce piracy and bring into force adequate and effective intellectual property laws without further delay. Otherwise, I will have no choice but to take appropriate action against Paraguay."

When identifying Paraguay as a "priority foreign country" in January, Ambassador Barshefsky highlighted two principal concerns: Paraguay's failure to take effective internal enforcement action against piracy and counterfeiting, especially at its borders

and Paraguay's failure to enact adequate and effective intellectual property legislation covering copyrights, patents, and trademarks. Paraguay produces, and is a major transshipment point for, illicit goods destined for significant markets in Latin America, such as Argentina and Brazil. The U.S. copyright and trademark industries suffer hundreds of millions of dollars in losses in the region annually as a result of this activity.

On February 17, 1998, one month after Paraguay was identified as a "priority foreign country," USTR initiated an investigation of Paraguay's acts, policies and practices related to intellectual property protection. The Section 301 statute allows such investigations to be extended for a period of not more than three months beyond the standard six month time frame when complex or complicated issues are involved. In light of the scope and extent of the deficiencies in Paraguay's intellectual property regime, as well as the impending change in government, Ambassador Barshefsky today determined that such complex and complicated issues warrant extending this investigation. However, failure by Paraguay to address U.S. concerns prior to the close of the investigation could lead to the imposition of bilateral trade sanctions.

